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RUEHBO/AMEMBASSY BOGOTA 3338
RUEHBR/AMEMBASSY BRASILIA 7189
RUEHBU/AMEMBASSY BUENOS AIRES 4452
RUEHCV/AMEMBASSY CARACAS 1727
RUEHPE/AMEMBASSY LIMA 1742
RUEHMN/AMEMBASSY MONTEVIDEO 3940
RUEHQT/AMEMBASSY QUITO 4358
RUEHSG/AMEMBASSY SANTIAGO 8920
RHEHNSC/NSC WASHINGTON DC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC
RUCPDOC/DEPT OF COMMERCE WASHINGTON DC
RUEATRS/DEPT OF TREASURY WASHINGTON DC

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STATE FOR WHA/AND
TREASURY FOR SGOOCH
ENERGY FOR CDAY AND SLADISLAW

E.O. 12958: N/A
TAGS: ECON EINV ENRG EPET BL
SUBJECT: HYDROCARBONS REGULATOR STANDS FIRM AGAINST GOB

REF: LA PAZ 1842

¶1. (SBU) Summary: Bolivia's hydrocarbons regulator has accused Bolivia's state oil company, YPFB, of entering into contracts that are against state interests -- charges ironically similar to those of the GOB against Enron and former President Gonzalo Sanchez de Lozada. The GOB reportedly tried to pressure the regulator into retracting its resolution, but the regulator ratified its decision and publicly protested the GOB's pressure tactics. The Hydrocarbons Minister has delegated the case to the Public Ministry for investigation. End summary.

¶2. (U) On July 21, the independent hydrocarbons regulator denied a permit to Iberoamerica Trading for the export of 2,000 barrels per day of crude oil to Univen Petroquimica in Brazil. Iberoamerica had entered into a contract with Bolivia's state oil company, YPFB, to purchase crude oil that would have been sold to Univen at below market rates. In exchange, Univen would have refined the crude oil and sold the extracted diesel to YPFB at below market rates. However, based on the regulator's analysis, Bolivia would have lost several million dollars on the deal. Thus, the regulator denied the permit as contrary to national interests. Ironically, these charges are similar to those made by the GOB against Enron and former President Gonzalo Sanchez de Lozada (reftel).

¶3. (U) On July 26, the President of YPFB and the Minister of Hydrocarbons convened a press conference and stated that the regulator had mis-calculated. On the 27th, the regulator reaffirmed its decision and told the press the GOB had tried to pressure it into admitting that it had erred. Despite the pressures, the regulator stuck to its guns and responded that it would not change its determination based on intimidation; however, it explained that Iberoamerica Trading was free to appeal its decision within the regulatory system in accord with established procedures. (Note: According to the 1994 regulatory law, appeals against sector regulator decisions go first to the sector regulator, then to the general regulator, then finally to the Supreme Court. End note.) The

Hydrocarbons Minister has turned the case over to the public prosecutor for investigation. Opposition leaders are calling for the resignation of YPFB President Jorge Alvarado.

¶4. (SBU) Comment: The tables are turned as the GOB is accused of signing hydrocarbons contracts that are harmful to the state. Faced with such accusations, the GOB resorted to pressuring the independent regulator, which the government had already vowed to eliminate in its national development plan. However, to the GOB's credit, forced to choose between its stated goal of combating corruption and protecting its brainchild -- a revamped YPFB -- it decided to investigate the corruption accusations against the state oil company. On the other hand, industry contacts worry that the investigation may be more of a show the government employs to save face than an impartial fact-finding process. End comment.

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